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INTERIM REPORT

TO

THE HONORABLE MARVIN MANDEL
GOVERNOR OF MARYLAND

BY

GOVERNOR'S TASK FORCE TO REVIEW
REORGANIZATION OF THE EXECUTIVE
BRANCH OF STATE GOVERNMENT

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Task Force

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May 31, 1977

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TASK FORCE CHARGE

On August 19, 1976, Governor Marvin Mandel established a Task Force to Review Reorganization of the Executive Branch of State Government. In his charge to the Task Force, the Governor pointed out that, "Maryland was among the first states in the nation to reorganize the Executive Branch of State Government. Working from a proposal that had been prepared by a panel of distinguished community and government leaders, we began the systematic reorganization of 248 agencies and departments just after I took office in January, 1969, and completed the consolidation into 12 cabinet departments by 1971."

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This review of reorganization "after more than five years of experience with the existing framework of government" is an attempt "to determine if the performance of government can be further improved by additional refinements in the alignment of agencies, departments and functions . . . Our interest . . . must be directed toward a clear and objective study of whether our present system can be modified and adjusted to provide more efficient, orderly and responsive government to our citizens," so stated the Governor's charge.

In carrying out its mandate, the Task Force has invited and encouraged the broadest possible participation in its deliberations. Letters of invitation went to every state legislator, every state department, the Maryland Association of Counties, the Maryland Municipal League, the Maryland Chamber of Commerce, the Maryland Classified Employees Association and the American Federation of State, County and Municipal Employees. All meetings are open for citizen participation or observation.

- what role these agencies play, and/or should play vis-a-vis the line or operating agencies.
- what approaches should be initiated to assure coordinated and effective performance of staff functions among these four agencies.

DISCUSSIONS WITH STAFF AGENCIES

While there were intensive discussions, few functions performed by the staff agencies were considered by them to be inappropriately placed. No significant transfers of functions to or from the line agencies were endorsed. A number of transfers of functions among the staff agencies were discussed; however, there was no consensus. The views of the departments were that:

- The Central Collection Unit was identified as not optimally placed; however, it was thought that the more appropriate host agencies would be reluctant to assume responsibility.
- Certain personnel units such as the State Accident Fund are not normal staff functions but are probably in the "best" principal department.
- There was no support to alter materially the present delegation of certain personnel classification and recruitment functions to line agencies.
- There was discussion of the need for and feasibility of combining the capital and operating budgets in one department, with some support for combining but agreement on the need for continued efforts toward better coordination of the two budget processes. There is a lack of clarity in the assignment of planning responsibilities between the line agencies and the Department of State Planning.

The line agency officials criticized staff agency performance particularly in matters of:

- lack of clearly defined responsibility between staff agencies.

Line agencies noted that too many staff agencies are involved in processing a single transaction--making impossible the placing of responsibility. Examples cited include out-of-schedule requisition, personnel transactions, capital requests.

- lack of clearly defined responsibility between line and staff agencies. Line agencies generally felt that authority is too concentrated in the staff agencies. One departmental Secretary opined that there is only one Secretary--the Secretary of Budget and Fiscal Planning. Others stated they do not have the authority to meet their program responsibilities since many final program decisions are made by staff agency analysts who do not have to live with them, and are not ultimately responsible for them. This problem is aggravated by poor communications as discussed below.
- lack of explicit and coherent standards. In the eyes of the line agencies, the staff agencies apparently make judgments and decisions arbitrarily rather than on the basis of explicit standards. This leads to situations in which policies are not uniformly pursued and line agency "success" is dependent upon the "goodwill" of a staff agency analyst. However, in certain other instances where criteria appear to be explicit, such as in leasing, line agencies complained that the criteria are inappropriate.
- poor communication. The lack of timely decisions, cited below, is aggravated by a lack of any sort of response by staff agencies

A special and continuing concern was voiced over the relative inability of the line agencies, as compared to staff agencies, to have a meaningful and timely role in executive program and budget decision making. In particular, the areas of concern included:

- budget process. This process was almost universally scored.

Criticism centered on the allegation that there was too little agency participation in all stages of the process: the setting of the Maximum Agency Request Ceiling (MARC), the review and recommendations of the Budget Department, and the final decision.

budget execution. This process was considered to be too fettered by controls. As one agency head put it, "The Governor and General Assembly have the right to set the level of funding, and if it is only 25¢, I can accept that. But, I should be responsible for determining how that 25¢ is spent." Line agencies felt that the Budget Department is involved in and swamped with "minutiae"; that the department heads should be allowed to exercise their authority, subject to post audit rather than prior control by the Budget Department. Another universal concern was the classification analysis undertaken by the Department of Personnel after the Governor and Legislature have approved a position (and presumably its level).

COMMITTEE FINDINGS AND RECOMMENDATIONS

The testimony and supporting evidence offered by the heads of the line departments and agencies have made clear to the Task Force that their concerns are substantive and deserve careful consideration. The specific concerns repeatedly identified--excessive paperwork, delays, frustrations

the determination of the MARC and all stages of the subsequent budget-making process. Even when the budget process is concluded, these agency heads still lack authority to direct, manage and allocate the resources of their agencies. To meet the goals of the reorganization, line agency heads must have authority equal to their responsibility.

The Task Force therefore recommends:

1. That the operating head of each executive department and agency have timely and meaningful opportunity to participate in setting the agency MARC; full and prompt knowledge of any proposed budget cuts or other modifications recommended or made by the Budget Department along with a copy of the justification material; meaningful opportunity to respond to such proposed modifications, including cutbacks or other changes; and the opportunity to present the agency's case for its budget request to the Governor prior to final decision making, especially when cutbacks or other changes are being recommended by the Secretary of Budget and Fiscal Planning.
2. That procedures be established to permit agency heads to expend, without prior Department of Budget and Fiscal Planning or other approval, all funds appropriated for specific items in the agency's budget, and to fill all authorized personnel positions without prior Department of Budget and Fiscal Planning or Department of Personnel approval. (The only exception should be based on statute or gubernatorial direction.) A post audit of such actions seems more appropriate to this Task Force than the present system of prior approval of agency actions regarding authorized and appropriated funds and positions.

needed changes in personnel policies and procedures. (This recommendation refers to Personnel's control functions. Other functions of this department will be reviewed later by this Task Force.)

2. That the Department of Budget and Fiscal Planning move from its present concentration on line-item review and budget-making, and prior approval of expenditure and personnel actions. The department should expand its functions in fiscal planning, program evaluation and management functions to provide expertise and assistance to the Governor and operating department heads.
3. The Department of State Planning should focus on program planning coordination, particularly by bringing together data into a statewide document which could identify current and projected conditions, trends, and needs in order to provide a framework for better program planning and decision-making at the State level. The fiscal planning function of the Department of Budget and Fiscal Planning and the program planning coordination function of the Department of State Planning should be exercised as complementary activities.

III. The Task Force finds that a substantial part of the frustration, delay and tension created by present staff agency activities stems from the lack of clear and appropriate guidelines, including time frames, which can guide both line and staff agency activity. The Task Force recommends that, in those areas in which prior review and approval functions continue to be necessary on the part of staff agencies, such functions be carried out in the future to the fullest extent possible within clearly stated guidelines. Such

satisfactory. Three members expressed strong interest in combining capital and operating budget responsibility into a single department since land, buildings, personnel and supplies are all factors necessary to produce program services. Such consolidation could be expected to assure not only that the operating budget implications of capital projects would be given proper attention, but also that the responsibility to recommend the most efficient factor mix would rest with one Secretary. The unification of responsibility would also eliminate the bureaucratic ping-ponging between agencies that now affects line agencies requesting equipment for new buildings. Furthermore, the consolidation would simplify the Executive's consideration of the State's spending programs as an economic tool for promoting State development and addressing State economic problems. Others on the Task Force disagreed or took no position. It was the opinion of those who disagreed that the existing system worked reasonably well, that the gains in coordination were chimerical since the lag between the decision to undertake a capital project and the first operating budget needs typically exceeded five years, and the advantages of having the capital budget in the agency most cognizant of local plans outweighed the disadvantages of separation. It was proposed, however, that if the dual responsibility were to be retained, the Department of Budget and Fiscal Planning make provision in the operating budget for the program operating cost as forecast at the time the capital expenditure was approved.

VII. The Task Force finds that there is a need for continuous examination of the organization of the Executive Branch of State Government and proposals for reorganization. The Task Force is aware that pressures are continual within any public organization to "split off" activities from existing departments or to create new agencies in response to new problems.